



Issue 1 (2008)
December 21, 2007- January 4, 2008

Part 1: News Analysis

Turkmenistan faced its first serious diplomatic challenge of the year this week as gas supplies to neighboring Iran were cut in half, apparently for technical reasons. The move sparked a flurry of unofficial speculation that Ashgabat was trying to raise energy prices, perhaps inspired by successful price increase negotiations with Russia in late 2007. For now, President Gurbanguly Berdymukhamedov, who has staked his reputation on his diplomatic achievements in the last year, has not been visibly involved, allowing his subordinates to handle the situation. The incident was reminiscent of disputes Russia has had with neighboring energy customers in recent years that have led to supply interruptions.

The trouble began after an Iranian delegation visited Ashgabat December 26-27, but apparently did not reach agreement on gas prices. Unofficial sources in Iran claimed that Ashgabat intended to double the price of gas, Reuters reported. Normally, Turkmenistan delivers up to 23 million cm of gas per day, which is 5 percent of Iran's gas needs, and enables Iran to export its own gas to Turkey. On December 29, Turkmenistan's exports to Iran were slashed to 10 million cm, and then ceased completely the next day, according to Ebadollah Ghanbari, the head of public relations for Iran's national gas company. Severely cold weather in the last week has caused Iranian energy consumption to rise, and some schools and factories were closed, with Iranian officials blaming Turkmenistan's gas cut-off.

Meanwhile, Iran's Foreign Minister said January 1 that he had reached an agreement with his counterpart, Turkmen Foreign Minister Rashit Meredov, to resume the gas delivery as soon as possible. The Turkmen Foreign Ministry attempted to quell speculation by issuing a statement on January 1 denying reports that Turkmenistan had "completely halted gas export to Iran" but giving no indication when full deliveries would resume. Baymyrat Khodzhamukhammedov, Turkmenistan's Minister of Oil and Gas Industry and Mineral Resources, told turkmenistan.ru that a need for "repair and maintenance work" had prompted the halt.

But according to Reza Kasaizadeh, the head of the Iranian state gas company, "They (Turkmenistan) believe that, as they increased the price of gas they export to Russia, they should raise the price of gas they export to Iran," Reuters reported on January 2, quoting Iran's ISNA state news agency. "But the signed contract between the two countries is important to us and one should act based on that," the gas official said.

At home, President Berdymukhamedov sought to improve the climate for foreign business investment and provide economic relief to ordinary citizens by making good on his 2007 pledge to bring the government exchange rate closer to its actual value on the black market. The official rate was moved from 5,200 manat to 6,250 manat per US dollar, while commercial exchanges were allowed to set rates as high as 20,000 manat, the amount a dollar currently attracts on the black market. The president also opened 105 currency exchanges throughout the country and authorized Turkmen citizens to buy and sell foreign currency, previously banned. Turkmen residents will also now have the opportunity to obtain 30-year mortgages at just 1 percent interest, a move designed to increase apartment ownership. The president also ordered a formal assessment to be made of Turkmenistan's hydrocarbon resources, although the plan fell short of hopes for an independent examination by foreign experts.

The Turkmen leader presided over the unveiling of a new Presidential Institute for State and Law, calling on Turkmen officials to work closely with foreign counterparts and legal experts to bring domestic legislation into conformity with international standards.

Celebrations on December 21 of the one-year anniversary of the death of Saparmurat Niyazov, Turkmenistan's first president, were low-key but respectful. The ceremonies, which happened to coincide with the Muslim holy day of Kurban Bayram, consisted of public feasts and standard wreath-laying ceremonies at the statues of the dictator that remain in all major cities.

At the year's final Cabinet of Ministers meeting on December 27, President Berdymukhamedov preferred to focus on the future and introduced new terms into the state lexicon, describing the most imperative task for Turkmenistan's future as "the further democratization of society, the strengthening in public life of legality and legal order, and consolidation of the principles of justice," state news reported. Nevertheless, his understanding of "the rule of law" – which state media rendered in Russian with the more ambiguous term "pravoporyadok" or "legal order" – remains to be seen.

The Turkmen leader also urged increased government development of infrastructure and declared his intention to raise Turkmen living standards closer to those of Europeans, but made no specific announcements about how \$4 billion earmarked for social spending late last year will be spent. In his New Year's greetings, he promised to raise wages and lower the cost of gasoline. The president listed other priorities for the coming year, such as introducing free-market principles, developing new oil and gas fields, expanding the construction industry and transportation networks, increasing Turkmen exports, developing the textile industry, and expanding access to the Internet, turkmenistan.ru reported.

Part 2: News Digest

Summary: Turkmenistan cut gas delivery to Iran in half at year's end amid reports of a price dispute, but service was to resume soon. President Berdymukhamedov lifted a 10-year ban on foreign currency trading and lowered the US dollar exchange rate. He also pledged to raise wages and lower gasoline prices. A new Institute for State and Law was opened with a vow to promote legal order and international standards.

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1. INTERNATIONAL RELATIONS

a. Turkmenistan Foreign Ministry Denies Halting Gas Delivery to Iran

Original title: *Statement from Ministry of Foreign Affairs of Turkmenistan for the Media*

Source: *turkmenistan.ru/01/01/08. Synopsis prepared by OSI Turkmenistan Project*

Full version: http://www.turkmenistan.ru/?page_id=3&lang_id=en&elem_id=11938&type=event&sort=date_desc

Synopsis: On January 1, the Turkmen Foreign Ministry issued a rebuttal to claims that Turkmenistan had "completely stopped gas exports to Iran," *turkmenistan.ru* reported, citing the press service of the Ministry of Foreign Affairs. "Such information is false," the Ministry's press statement said.

Baymyrat Khojamuhamedov, Minister of Oil and Gas Industry and Mineral Resources of Turkmenistan, said the halt was only temporary, and due to technical reasons. "Specifically, there is a need to carry out preventive repair work related to the exploitation of the gas pipeline," *turkmenistan.ru* quoted him as saying. "This is a quite natural technological process," he said.

b. Turkmenistan Cuts Gas Supply to Iran, Will Resume Delivery Soon

Original title: *Iran Sees Turkmen Gas Deliveries Resuming by End Week*

Source: *Guardian/Reuters/01/01/08. Synopsis prepared by OSI Turkmenistan Project*

Full version: <http://www.guardian.co.uk/feedarticle?id=7189392>

Synopsis: Turkmenistan has halted gas delivery to Iran, but is expected to resume supplies by the end of the week, Reuters reported, citing Iran's Fars news agency. The cut in gas exports reduced Iran's own domestic supply as well as its exports to Turkey.

Turkmenistan usually provides Iran with 20-23 million cm, or 5 percent of its gas consumption, the National Iranian Gas Company was quoted as saying. An Iranian delegation visited Ashgabat December 26-27 to discuss gas prices.

c. Iranian Official Accuses Turkmenistan of Trying to Raise Gas Prices

Original title: *Turkmenistan Accused of Looking to Hike Gas Prices*

Source: *Iran Focus/ Reuters/01/02/08. Synopsis prepared by OSI Turkmenistan Project.*

Full version: <http://www.iranfocus.com/modules/news/article.php?storyid=13701>

Synopsis: Reza Kasaizadeh, head of Iran's state gas company, claimed Turkmenistan halted gas exports to Iran in order to negotiate a price hike despite a 2007 agreement, Reuters reported.

"They [Turkmenistan] believe that, as they increased the price of gas they export to Russia, they should raise the price of gas they export to Iran," Kasaizadeh was quoted as saying by the ISNA news agency on January 2. "But the signed contract between the two countries is important to us and one should act based on that," he said. Kasaizadeh drew on information gathered by an Iranian Foreign Ministry delegation that visited Ashgabat last week. Discussions had been due to continue in Tehran this week but have been delayed after the Turkmen supply cut, he said.

Kasaizadeh said that last year's agreement to increase the gas price included a commitment not to raise prices further for three years.

d. Turkmenistan Hopes to Increase Gas Prices: Iranian Oil Official

Original title: *Turkmenistan Aims to Double Its Gas Prices: Iranian Official, Synopsis by OSI Turkmenistan Project.*

Source: *BBC Monitoring—Middle East/Fars News Agency/12/31/07*

Synopsis: An unnamed Iranian Oil Ministry official has said that Turkmenistan is exploiting a drop in temperatures to cut gas exports to Iran and intends to double the price it receives, BBC Monitoring reported, citing Fars News Agency of Iran.

Commenting on statements from Turkmen officials that the halt was prompted by the need for repairs, the official said, "considering the drop in temperature and the special climate and weather in such time of year, it is not an appropriate time for repairs and the repairs are just an excuse for cutting gas export."

e. Iran, Turkmenistan Resume Flights

Source: Press TV/IRNA/12/29/07. Synopsis by OSI Turkmenistan Project.

Full version: <http://www.presstv.ir/detail.aspx?id=36762§ionid=3510213>

Synopsis: The first airplane on a direct flight from Mashhad in Iran to Ashgabat has landed, ending a 6-year hiatus, Press TV of Iran reported, citing IRNA. Iran and Turkmenistan have reached an agreement for weekly flights between the two cities, a spokesman for Iran's Taban Airlines announced, adding that direct flights between Tehran and Ashgabat are planned for the near future.

f. Turkmenistan Ends 10-Year Ban on Foreign Currency Trade

Original title: Turkmenistan Lifts 10-Year Ban on Buying and Selling Foreign Currency

Source: PR Inside/ AP/01/01/08. Synopsis by OSI Turkmenistan Project.

Full version: <http://www.pr-inside.com/turkmenistan-lifts-10-year-ban-on-buying-r367279.htm>

Synopsis: The Turkmen government lifted a 10-year ban on the purchase and sale of foreign currency as part of an effort to move the country out of isolation, AP reported. Foreign currency exchanges were closed in 1998 by the autocratic former president Saparmurat Niyazov, forcing people to engage in black market exchanges.

A presidential decree will enable Turkmen citizens to exchange foreign currency at more than 100 bank branches across Turkmenistan at a government-regulated rate similar to the current black market value of about 20,000 manat per U.S. dollar.

President Gurbanguly Berdymukhamedov announced on state television that his goal was to bring the official rate (6,250 manat per dollar) up to the unofficial value and end the black market. "This decision is aimed at creating order in the turnover of foreign currency in the national economy, strengthening control over it and creating favorable conditions for a gradual shift to a single exchange rate for the manat, as well as increasing foreign economic activity and attracting foreign investment," he said.

g. Turkmenistan Granted Observer Status at EurAsian Group

Original title: Towards Maintaining Wide International Co-Operation

Source: Official Turkmen Government website/State News Agency of Turkmenistan (TDH)/12/28/07

Electronic version: <http://www.turkmenistan.gov.tm/en/?idr=5&id=071228a>

Turkmenistan has been granted observer status to the EurAsian Group on combating money laundering and financing of terrorism (EAG). The decision was taken at the 7th plenary meeting of the EAG which was held in Sanya (Hainan, China) on December 11-14. The 3rd conference of EAG donor states and organizations and the working group meetings also took place at that time. The forums brought together delegations from the EAG member countries (Belarus, Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan and Uzbekistan) and the EAG observer organizations and states including the Financial Action Task Force Against Money Laundering (FATF), the World Bank, the United Nations Office on Drugs and Crime, EurAzEC [Eurasian Economic Community - TP], and Interpol.

Recognizing the importance of wide international co-operation for joining efforts to tackle serious challenges and the necessity of establishing an effective system to combat money laundering and financing of terrorism,

the president of Turkmenistan issued a resolution, "On Turkmenistan Joining the EurAsian Group on Combating Money Laundering and Financing of Terrorism" in November 2007. This step serves as a continuation of the policy of Turkmenistan that heads steadily and consistently towards establishing global partnership focused on solving the urgent problems humankind faces nowadays.

Taking into account that the measures taken by Turkmenistan to build an effective national system of combating money laundering and financing of terrorism completely comply with the goals and key objectives of the EurAsian Group, the EAG member states agreed to grant observer status to Turkmenistan allowing to participate in the events held by the large international organization (without vote), to receive technical assistance and to collaborate in the program of cooperation with the international organizations and states concerned.

2. DOMESTIC DEVELOPMENTS

a. Turkmenistan Commemorates First Anniversary of Death of Niyazov

Original title: *Turkmenistan Commemorates Late Turkmenbashi*

Source: *Turkmenistan Initiative for Human Rights/12/27/07. Translated by OSI Turkmenistan Project. Reprinted with permission from TIHR.*

Electronic version: <http://www.chrono-tm.org/?0257043657000000000000011000000>

On December 2, Turkmenistan marked the one-year anniversary of the death of its first president, Saparmurat Niyazov. Current President Gurbanguly Berdymukhamedov, who has repeatedly vowed to remain faithful to his predecessor's policies, ordered sumptuous commemoration services to honor Niyazov. By chance, this year the anniversary of Turkmenbashi's ["Head of All Turkmen," a title for Niyazov - TP] death coincided with the major Muslim feast of Kurban Bayram.

It took the second President a long time to decide how to combine the holiday and the commemorative service. Finally, the decision was made not to postpone the commemoration day. It turned out that the shadow of "Turkmenbashi the Great" lingered over the country even on the sacred holiday. On December 21, all government officials laid gorgeous bouquets of flowers and wreaths at Niyazov's burial site near Ashgabat. In other towns and villages, local high-ranking officials and residents placed wreaths at monuments to Turkmenbashi. After the official flower-laying ceremony, a traditional *sadaka* (free public dinner) was held.

From outside, these events were reminiscent of a theatrical performance. Elderly people were dressed in identical national costumes as if in uniform. It should be noted that under Niyazov's rule, local authorities used to convene elders and schoolchildren on every public holiday in order to hold official flower-laying ceremonies at numerous Turkmenbashi statues. Now the statues have wreaths, but in general the ceremony took place as before.

The money for holding the *sadaka* was collected from all employed residents, i.e. those who are on payroll. For instance, staff members of schools in the Rukhabat velayat, where the mosque and mausoleum of Turkmenbashi is located, spent two days peeling and cutting vegetables and preparing other ingredients for the commemorative repast. Nevertheless, each of them was asked to contribute 70,000 manat for the commemoration services.

It should be noted that Niyazov's family and relatives did not attend the commemoration ceremony. According to informed sources, they have strained relations with the existing Turkmen authorities.

b. President Berdymukhamedov Convenes Commission to Improve Legislation

Original title: *A Session of the Commission for Improvement of Legislation of Turkmenistan*

Source: *Official Turkmen Government website/State News Agency of Turkmenistan (TDH)/12/28/07. Excerpted by OSI Turkmenistan Project.*

Electronic version: <http://www.turkmenistan.gov.tm/en/?idr=1&id=071228a>

Excerpt: President Gurbanguly Berdymukhamedov chaired the first session of the Commission for Improvement of Legislation of Turkmenistan. The commission, chaired by the president of Turkmenistan, was established about a month ago to strengthen the legal foundation of Turkmenistan and create a solid legislative basis for political, social, economic, scientific and cultural reforms implemented throughout Turkmenistan.

[Passage omitted: on advent of an era of reform and need to update national legislation and bring it into conformity with international norms.]

[Passage omitted: on reports of state commission and need to analyze legislation to eliminate contradictions and bring laws into conformity with universally recognized norms.]

The president emphasized that this activity was of paramount importance for the process of restructuring the economic system and expanding foreign economic cooperation. The president said that effective tools that meet international standards should be applied, allowing foreign companies to conduct investment activity in Turkmenistan and to create a favorable investment climate.

[Passage omitted: on delegation of management of commission's work to Deputy Speaker of the Mejlis K. Babayev.]

Gurbanguly Berdymukhamedov announced the establishment of the Institute of State and Law under President of Turkmenistan and issued the relevant decree. The Turkmen leader specified the tasks for the newly-established body. The work on improvement of the national legislation should be based on thorough study of the best international practices in close collaboration with foreign colleagues and leading international legal experts.

Gurbanguly Berdymukhamedov said that independent neutral Turkmenistan was moving resolutely towards building a democratic law-based state. The ultimate goal was to guarantee respect for human rights and freedoms based on the highest moral values enshrined in the constitution of Turkmenistan. Elaborating on this statement, Gurbanguly Berdymukhamedov emphasized that Turkmenistan's adherence to the progressive norms of international law was vividly evidenced by intensification of cooperation with the United Nations and other leading international organizations. Having joined the basic international conventions, treaties and agreements, our country will continue to contribute to global peace and progress, security and sustainable development, the Turkmen leader said.

In this context, Gurbanguly Berdymukhamedov set specific tasks for the commission and noted that its activity should be an effective factor for advancing the country along the path of the reforms and changes.

c. President Promises Higher Wages, Lower Gasoline Prices in New Year's Message

Original title: President of Turkmenistan Congratulates Compatriots on New Year

Source: turkmenistan.ru/01/01/08. Synopsis prepared by OSI Turkmenistan Project.

Full version: http://www.turkmenistan.ru/?page_id=3&lang_id=en&elem_id=11937&type=event&sort=date_desc

Synopsis: In his New Year's address to the nation, President Berdymukhamedov lauded the country's achievements in 2007. Successes in domestic reform and international cooperation, he said, were "strengthening security and stability in the region and in the entire world, raising our nation's prestige," turkmenistan.ru reported.

The Turkmen president called for more to be done in 2008 to improve living standards, and promised to expand the list of free benefits while increasing salaries, pensions, and stipends. He also said the state would show more concern for car owners and look for ways to reduce the price of gasoline, which is already heavily subsidized.

d. President Outlines Priorities for 2008

Original title: Gurbanguly Berdymukhamedov Defines Tasks for Government for 2008.

Source: turkmenistan.ru/12/28/07. Synopsis prepared by OSI Turkmenistan Project.

Full version: http://www.turkmenistan.ru/?page_id=3&lang_id=en&elem_id=11928&type=event&sort=date_desc

Synopsis: At a cabinet meeting on December 27, President Berdymukhamedov praised the accomplishments of the last year, and set new tasks for the government for 2008. Among the priorities outlined by the president were introducing free-market principles; further developing new oil and gas fields; bringing domestic law into conformity with international standards; expanding the construction industry and transportation infrastructure; and expanding access to the Internet.

3. ECONOMIC NEWS

a. President Berdymukhamedov Orders Gas and Oil Audit

Original title: *President Orders the Conduct of an Audit of Hydrocarbon Sources*

Source: Official Turkmen Government website/12/27/07. Translated and excerpted by OSI Turkmenistan Project.

Full version: <http://www.turkmenistan.gov.tm/en/?idr=1&id=071229a>

Excerpt: On December 27, 2007, President of Turkmenistan Gurbanguly Berdymukhamedov chaired a session of the Cabinet of Ministers of Turkmenistan. The president noted that among priority tasks are the expansion of geological exploration and the accelerated exploitation of new, promising gas and oil fields.

It is necessary to conduct an audit of all hydrocarbon sources in the coming year, Berdymukhamedov said, assigning the organization of this work to Deputy Prime Minister Tachberdy Tagyyev. As the head of state emphasized, a certification of the country's oil and gas reserves will make it possible to refine the strategy for further exploitation of hydrocarbon resources and enable the development of mutually profitable international cooperation in the sphere of energy.

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